



What Would a Third Modi Term Mean for India?

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India's national election will commence on April 19, with results announced on June 4. As the opposition is divided, Prime Minister Narendra Modi is a safe bet for a third term on his record of a strong and growing economy, Hindu identity and making Indians feel good about their country's rising global voice.

Modi's polling dominance

As Prime Minister and leader of the Bharatiya Janata Party (BJP), the dominant party in India's federal government, Modi has acquired the most prized of political assets: He is seen by most voters as the embodiment and custodian of their best interests. In a third term, his priorities would remain around the trinity of economic growth, jobs for a deepening pool of educated youth and inclusive development, notably for women.

Foremost is the management of an economy that remains an unmatched strategic draw for global investors. In the past year, several large companies have announced big job-creating investments in a market they believe has only just been skimmed. With a population of 1.4 billion, India is the world's only large and still substantially untapped capitalist market.

A victorious Modi would consolidate his Hindu narrative, a continuing endeavor to refashion India into Bharat (Sanskrit for India) from what he regards as 1,000 years of subjugation by Muslims and British colonialists. Seminal in terms of identity and religiosity has been the construction in January of a Hindu temple (with infrastructure to boost religious tourism) on land revered by two faiths. Along with legislative and social initiatives impacting minorities, Modi has duly delivered on foundational promises to the Hindu faithful, India's majority community. Social tensions are rarely far from the surface in India's complex polity; managing them in a Modi third term would be a test for even the best prepared foreign investor.

India's diversity makes election politics perilous. The BJP, a traditionally northern Hindu party strong among business and merchant classes, has struggled to make inroads in the south, where religion (including Christianity) and language make it an interloper. Still, polls point to a broadly uniform pattern in the national calculus: The BJP, with a formidable machinery richly funded by electoral bonds that were recently junked after India's top court described them as unconstitutional, looks set to return with an even bigger majority.

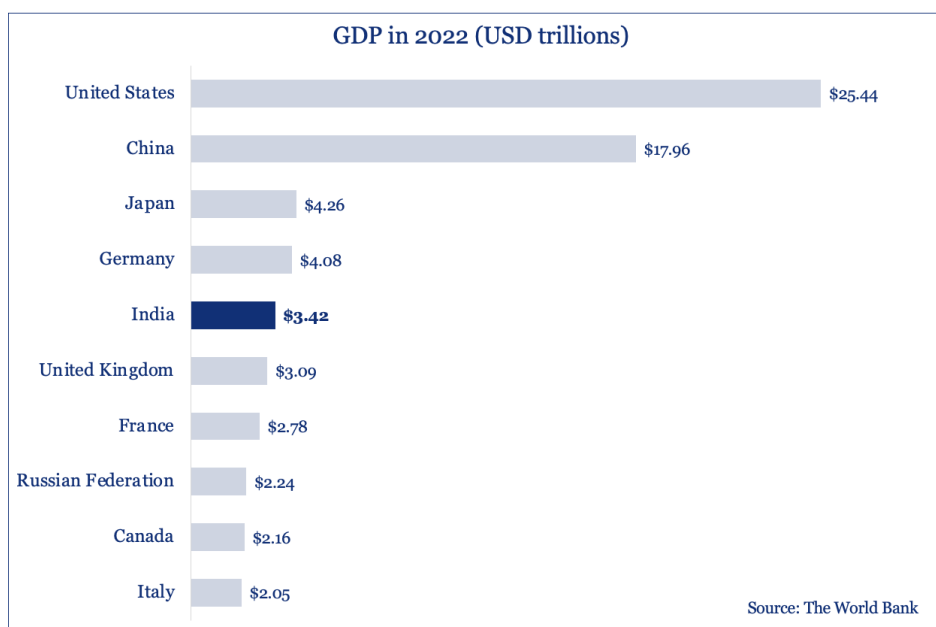
Modi towers over his party with presidential brio, extraordinary vote-winning charisma and unchallenged authority. The three-time former chief minister of Gujarat (Modi's home state on the west coast) has overseen a unique concentration of executive decision-making in the federal capital. He has replicated much



of Gujarat's business-enabling environment, notably easing the burden of doing business along with courtship of foreign investors. Progress has been real, though global investors still struggle with India's federalism, in which tensions between the national and state administrations can be frustrating.

Growth and modernization

Modi's maxim on the state was once "minimum government, maximum governance." Today, he is arguably the most interventionist PM in recent history. Modi's assessment of the state's role in the economy is equal parts enforcer and collaborator. For many, notably business leaders, that is an acceptable trade-off to achieve the policy clarity and systemic changes necessary for India to become a developed economy by 2047, as Modi predicts.



India's economy is already the world's fifth largest, but still only 20% the size of China's. But India has momentum; geopolitical positioning (a seven-decade friendship with Russia that allows it to buy inexpensive Russian oil) and a populace of 1.4 billion ensure a robust home market. A next decade of at least 7%-plus growth is the default projection. One respected political scientist remarked that India's greatest asset remains a strong and growing economy, which will allow it to "negotiate all sorts of pressures and exercise leverage."

Modi's development thesis has a special place for gender. India has the lowest level of women in work in South Asia. This has puzzled both policymakers and employers, as surveys consistently show women to be a household's anchor adult (in terms of values and family budgets). Raising the currently low 27% female workforce participation, then, would seem like low-hanging fruit – achievable and rewarding. At Apple's plant in Tamil Nadu, and at the Indian ride-share company Ola's EV site in the same location, women form either the entire or most of the workforce. The BJP has pledged new labor laws on the gig economy that would benefit women.



Prioritizing the energy transition

In his first term, Modi was a sharp salesman, but without a product. His second term has been different.

Modi appears to favor the rise of India's so-called national champions – globally competitive businesses capable of implementing strategic initiatives, notably infrastructure and energy transition. A nation of savers is turning into a nation of investors, with record retail monies flooding mutual funds. One structural outcome is a more formalized, taxable economy. Domestic businesses' net profits in FY21-22 were their highest in five years. Private sector capital-expenditure announcements in the first half of FY24 were 40% higher than the last 10 years' average for the same period. Banks' net non-performing loan ratios fell to a 10-year low in March 2023. And lending has been revived. The pace of highway construction – 10,000 km (about twice the width of the US) annually for the past several years – has been stunning and will ease logistics costs, already the highest in South Asia.

India leads on the demand for payment of capital pledges by historic industrialized emitters. India is the third-largest emitter after the US and China, and if India goes green, then the global impact is material. Modi has committed to achieving net zero emissions by 2070, a decade after China. Yet even this target is seen as ambitious given India's pursuit of growth: In Q3 of the current financial year, GDP growth touched 8.4%. Maintaining this intensity will be notably dependent on captive, cheap fossil fuels to power more coal-fired stations, though it is a dependency now challenged as the unit cost of renewables falls. India is targeting an additional 500 GW of renewable capacity by 2030, making clean energy the largest contributor to its overall energy needs.

Amid this vibrancy, one key aspect alarms: Joblessness is [more than double](#) the official number. The educated young, the largest demographic and earning potential, still feels untapped.

There is one area of rising jobs for the young: India's so-called global capability centers (GCCs), a sophisticated version of the offshore-services model that has turned Bengaluru, Gurgaon and Hyderabad into second homes for the world's biggest companies. Amid geopolitical tensions, multinational corporations have made this cottage industry sizable (1,600 centers to date) and deeply relevant to India's appeal as a safe destination.

Technology and the “digital government”

Modi is a champion of technology. While Chief Minister of Gujarat, he was an early spotter of the potential of technology to aid his own electability, and improve public services and innovation. India's 5.1 million tech workers see him as one of their own; he has visited Silicon Valley and hosted its Indian-born plutocrats in Delhi. Modi took his predecessor's digital idea and doubled down on public funds and private-sector expertise to create a network of digital public infrastructure. At its heart is Aadhaar, a digital-identity platform that has spawned multiple plug-in applications from fintech to food delivery. This is the new digital commons that has enabled explosive enterprise by first-time entrepreneurs and a totemic rebalancing of opportunity from historic elites.

As a traditional party of high-born Hindus and business classes, the BJP's relationship with India's poor has grown from tactical to systemic given their superior electoral numbers. Modi's courtship of the poor has been via “aggressive welfarism,” enabled by tech platforms delivering welfare monies directly into bank accounts. Millions of micro payments as small as \$2 and totaling \$182 million each day are sent to recipients across about 500 federal and state welfare entities. A typical rural family can receive up to 10 payments for grain, gas, education, pension and so on. As a senior bureaucrat described the program, “When you have a



technology-driven benefits-payments platform, you'll see the outcome every time you visit a family around election time." The International Monetary Fund has described these transfers as a "logistical marvel."

Bill Gates described India as having a "digital government." The view within the domestic foreign policy establishment is that India's rise globally is deeply linked to its technology, and that the trust and sociology of potential partners, for example, is a critical factor in deciding where India's data should reside. Today, the technology behind India's digital public infrastructure (such as digital identity and payments) is exported to friendly countries including emerging economies where India can burnish its Global South leadership. Modi calls the Indian tech professionals and the larger diaspora in the US a "living bridge." These soft- and hard-power benefits have made technology an unintended tool of Indian foreign policy that today argues with confidence and assertion for a voice on the great issues shaping a scarier world.

To continue the conversation



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